

Service Date: March 1, 2002

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF MONTANA POWER)	UTILITY DIVISION
COMPANY, Application for Determination on)	
Natural Gas Supply and Supplier Matters,)	DOCKET NO. D2002.1.10
Including Assignment of Customers,)	
Designation of Default Supplier, and Status)	ORDER NO. 6406
of Supplier Competition (D96.2.22 related))	

FINAL ORDER

Findings of Fact

1. In October 1997 the Public Service Commission (PSC) issued a final order approving the restructuring of Montana Power Company's (MPC) natural gas utility. *See, PSC Docket No. D96.2.22, Order No. 5898d (October 31, 1997)*. The order approves a series of stipulations which were entered among MPC and the active intervenors in that proceeding.

2. The order and approved stipulations designate MPC as the natural gas provider of last resort (default supplier) for a transition period, about five years ending July 1, 2002. As a the default supplier MPC maintained certain obligations, primarily including obligations related to natural gas supplies for certain core customers (generally, residential and small commercial customers or customers with annual usage less than 5,000 dkt natural gas per year) not choosing a competitive supplier or choosing a competitive supplier which, for one reason or another, failed to provide supplies. *See, PSC Order No. 5898d, Stipulation 2, para. 3 (discussing merchant of last resort and supplier of last resort)*.

3. Although not known with certainty at the time of the order and approved stipulations, it was anticipated that competitive sources of natural gas would develop for all MPC natural gas customers. Although this did occur for MPC non-core customers (generally, large commercial and industrial customers or customers with annual usage over 5,000 dkt natural gas per year), it has not yet occurred for MPC's core customers.

4. Regardless of what would or did occur regarding competition on MPC's natural

gas system, MPC was required to file, six months prior to the end of the transition period, an application before the PSC to determine the default supplier, assignment of customers, and status of competition on MPC's natural gas system. *See, PSC Order No. 5898d, Stipulation 2, para. 2.* On December 7, 2001, MPC, made the required filing before the PSC (present, above entitled matter). In its application MPC proposes to continue as the default supplier for at least the next five years. MPC comments that no residential or small commercial customer has moved to choice of suppliers. MPC comments that a willing and viable alternative to MPC's regulated supply for these customers probably does not exist at this time.

5. MPC's filing was notice to the public on December 24, 2001. In response to the notice the Montana Consumer Counsel, Cut Bank Gas Company, and Energy West Resources intervened. Each of these intervenors has indicated that it has no objection to PSC approval of MPC's application.

6. The present circumstances are such that MPC should be designated the default supplier on MPC's natural gas system. This default supplier status should continue for at least another five years ending July 2, 2007. MPC should be required to file another application related to assignment of customers, default supplier status, and status of the development of competition by natural gas suppliers on MPC's natural gas system, at least six months prior to July 1, 2007. There is no present need to assign customers.

Conclusions of Law

7. The PSC has jurisdiction over this matter in accordance with provisions within Title 69, MCA, particularly §§ 69-3-1401 through 69-3-1409, MCA, and PSC Order No. 5898d.

8. MPC's default supplier status will continue for at least another five years ending July 2, 2007. MPC is required to file another application related to assignment of customers, default supplier status, and status of the development of competition by natural gas suppliers on MPC's natural gas system, at least six months prior to July 1, 2007.

ORDER

IT IS HEREBY ORDERED the application of MPC is approved. MPC will remain the default supplier on MPC's natural gas system in accordance with the above findings of fact and conclusions of law.

Done and dated this 26th day of February, 2002, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GARY FELAND, Chairman

JAY STOVALL, Vice Chairman

BOB ANDERSON, Commissioner

MATT BRAINARD, Commissioner

BOB ROWE, Commissioner

ATTEST:

Rhonda J. Simmons
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.